



# The Economic Benefits of Historic Preservation in Washington State





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## Introduction

The cultural and historic resources of a community tell the story of its past and make any single community distinct from other places. These resources provide tangible connections to the people and events that have shaped our surroundings and our collective histories. Preserving the physical reminders of our past creates a sense of place and community pride. Historic preservation also generates a wide range of economic benefits including those associated with the rehabilitation and adaptive reuse of historic buildings and with heritage tourism, as well as the impacts that historic designation has on neighborhood character and property values. Other benefits include the key role that historic preservation plays in local economic development and downtown revitalization efforts.

## Historic Rehabilitation

The U.S. Secretary of the Interior defines historic rehabilitation as: “the process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values.”

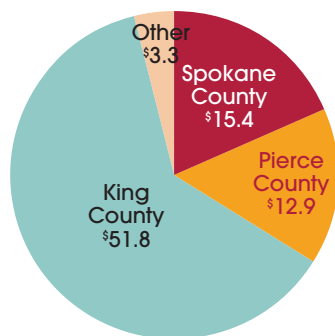
Data compiled on Washington state projects taking advantage of federal and state historic building rehabilitation tax credit programs indicate that **historic**

**rehabilitation activities qualifying under these programs from 2000 to 2004 involved average spending of \$83.5 million each year. These investments generate direct economic impacts through the purchases of goods and services. Expenditures also generate indirect and induced activity in other parts of the economy through related spending at local businesses by supporting industries and households.**

In Washington State, the initial annual investment of \$83.5 million generated total sales of \$221 million, supported 2,320 jobs in a variety of economic sectors, and paid \$87 million in wages and salaries each year. This economic activity generated an estimated \$8.9 million in state sales and Business and Occupation (B&O) taxes, as well as local sales tax revenues (which are not included in this total).

Much of this initial investment took place in King, Pierce, and Spokane counties and was concentrated in the largest city in each county (Seattle, Tacoma, and Spokane). This concentration of rehabilitation activity is largely because the federal and state tax credit programs are currently most active in these areas, and a reflection of the number of designated historic buildings within these jurisdictions. The majority of these expenditures (about 70 percent) involved commercial buildings. Historic rehabilitation activities in King County generated total sales of \$105.6 million. Furthermore, this work supported 1,230 jobs, and generated \$43.1 million in wages and salaries each year. Looking at the state's other major metropolitan areas, historic rehabilitation generated total sales of \$28.7 million and \$34.0 million in Pierce and Spokane counties, respectively. In turn, rehabilitation work supported 325 jobs and paid \$11.1 million in wages and salaries in Pierce County, and supported 400 jobs and paid \$13.7 million in wages and salaries in Spokane County.

Annual Average Historic Rehabilitation Spending, 2000 to 2004 (\$ million)



Washington Total = 83.5



These totals underestimate the true extent of investments in historic rehabilitation because they are based only on projects that qualify under the federal and state tax credit programs. These programs do not capture historic rehabilitation spending by governments and tax-exempt organizations, or the money spent by individuals restoring their historic homes without benefiting from state tax incentives. Examples of recent government historic rehabilitation projects include improvements to city and county administration buildings, schools, libraries, and parks.

### Washington Main Street Program

The Washington Main Street Program helps communities revitalize traditional downtown and neighborhood commercial districts. Revitalization typically involves investment in existing buildings and also involves attracting and supporting new and existing businesses that are often locally owned. Profits generated by locally owned businesses typically circulate numerous times within the community, thereby keeping those dollars “at home.” Building renovations and new business activity within the nine designated Main Street program communities in Washington state averaged \$165 million in sales each year from 2000 through 2004, supported 2,625 jobs, and generated \$67 million in labor income. These activities generated about \$8.8 million in state sales and B&O taxes each year, as well as local sales tax revenues (which are not included in this total).

The economic benefits of using the Main Street Four-Point Approach™ extend far beyond the reported numbers. By focusing on a comprehensive downtown revitalization strategy, a community can enhance its traditional commercial district’s overall vitality in a number of ways: a restored historic commercial district serves as a tourist destination; downtown festivals and events attract outside people and dollars; and downtown housing can be a tremendous draw in keeping a local labor force. A revitalized downtown also serves as a centerpiece of community life: a place to shop, invest, recreate, and live.

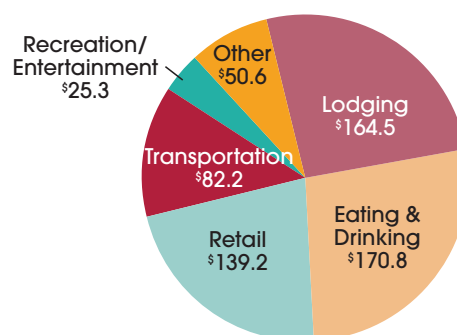


### Heritage Tourism

The National Trust for Historic Preservation defines “cultural heritage tourism” as traveling to experience the places, artifacts and activities that authentically represent the stories and people of the past and present. Heritage tourism sites in Washington range from historic house museums staffed by volunteers, such as the Keller House in Colville, to publicly owned historic sites such as Fort Simcoe State Park near Yakima and Seattle’s Klondike Gold Rush National Historical Park. Local historic districts and downtown areas also serve as important heritage tourism attractions. Examples where this occurs include downtown Ellensburg and Snohomish. Heritage and other forms of tourism generate economic benefits for local economies because visitors to the area spend money on entrance fees, food and drink, transportation, gas, and lodging, among other things. These direct expenditures represent new money for the area and support local jobs and income, as well as generating additional employment and income as that money circulates through the local economy.

Heritage tourists spent an estimated 8.7 million visitor days in Washington state in 2004, spending an average of \$72.40 per day. This resulted in total annual spending statewide of about \$630 million, with much of this spending concentrated in the lodging, eating and drinking, and retail sectors. These expenditures generated total sales of \$1.3 billion, supported 20,000 jobs in a variety of economic sectors, and paid \$510 million in wages and salaries each year. This economic activity generated an estimated \$66.5 million in state sales and B&O taxes, as well as local sales tax revenues (which are not included in this total).

### Heritage Tourism Spending by Economic Sector, 2004 (\$ million)



Washington Total = \$630



Almost half (48.5 percent) of all visitor spending in Washington was in King County in 2004, with about 6.2 percent in Pierce County and 5.9 percent in Spokane County. Heritage tourism spending generated approximately \$514 million in total sales in King County, supported approximately 8,470 jobs, and generated about \$210 million in labor income. Heritage tourism generated total sales of \$67.0 million and \$62.4 million in Pierce and Spokane counties, respectively, supported 1,100 jobs and paid \$26.8 million in wages and salaries in Pierce County, and supported 1,050 jobs and paid \$25.5 million in wages and salaries in Spokane County.

## Comparison with Other Economic Sectors

Economic Sector	Jobs (per \$1 million of Sales)	Labor Income (\$ per \$ of Sales)
Retail Trades	\$ 33.87	\$ 0.962
Heritage Tourism	31.66	0.807
Historic Rehabilitation	27.50	1.026
Construction	26.45	0.908
Wood Products Manufacturing	26.39	0.920
Food Products Manufacturing	21.72	0.705

Historic rehabilitation and heritage tourism have relatively high levels of job creation per dollar of spending. The ratios of jobs per \$1 million spent are higher in these industries than those in many other key economic sectors in Washington state, including aerospace, wood products, and food manufacturing. In addition, rehabilitation

activities have higher job creation impacts than is the case in the overall construction industry.

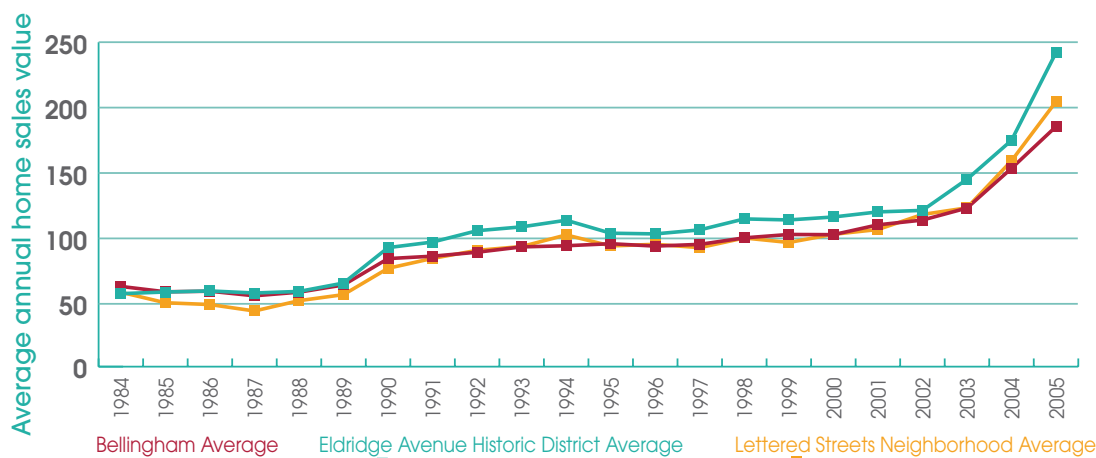
## Historic Designation and Property Values

The study conducted for Washington state evaluated the effects of historic district designation on single-family residential neighborhoods in four Washington cities: Bellingham, Ellensburg, Spokane, and Tacoma. Average sale values for homes in Bellingham's Eldridge Avenue Historic District and Tacoma's North Slope Historic District increased at a faster rate than they did for similar homes located in comparable neighborhoods that do not have a historic designation.

The graph below compares average sale values (adjusted for inflation and expressed in average price per square foot) for Bellingham's Eldridge Avenue Historic District with sale values for homes in the Lettered Streets Neighborhood, which shares many characteristics with the Eldridge Avenue Historic District, but does not have a historic designation at this time. The graph also compares sales in these two neighborhoods with sales in the city as a whole.

Data for home sale values in Ellensburg's First Railroad Addition Historic District and Spokane's Corbin Park Historic District were more difficult to interpret because small sample sizes made it difficult to establish trends. However, the data that was collected suggest that property values for homes in these two historic districts have increased at rates generally comparable to similar homes sold in similar neighborhoods that do not have a historic designation.

## Bellingham Historic District Comparison, home sale values





## CASE STUDY: REHABILITATION

### Fox Theater, Spokane

In May 2000, more than 1,300 concerned citizens helped raise \$1.2 million to purchase the Fox Theater in Spokane and rescue it from demolition. Built in 1931, the Fox Theater is one of the best-preserved Art Deco movie theaters in the western United States and is listed in the National Register of Historic Places, the Spokane Register and the Washington Heritage Register. Key intact interior features include one-of-a-kind murals that cover the theater walls and the auditorium ceiling. The building, an important part of Spokane's social life through the 1970's, has a special connection with many in the Spokane area as the site of first dates, marriage proposals, concerts by nationally renowned artists, and favorite movies.

The Fox Theater non-profit organization, formed in 2000, has been working to transform the facility into a regional performing arts center and home to the Spokane Symphony, which played in the theater from 1968 to 1974. The proposed rehabilitation of the Fox Theater includes an operating endowment of \$6 million that will enable the organization to waive user fees for local and regional non-profit groups.

The Fox Theater organization estimates that rehabilitation construction will last from 15 to 18 months. Studies conducted for the organization estimate that during construction, expenditures will support 150 to 200 jobs in the Spokane area and generate more than \$40 million in total sales. Once work is completed, the theater is expected to support 9 to 12 full-time employees and generate \$16 million in total sales each year.

In addition to these economic impacts, rehabilitation of the Fox Theater is an important element of Spokane's "Downtown Renaissance," which includes the revitalization of numerous historic and architecturally significant buildings. Encompassing the Fox Theater, the Davenport Arts District was established by the City to help realize this goal. Named for the renowned and historic Davenport Hotel, the arts district has already started to awaken this once neglected end of downtown into an active "24-hour" neighborhood of art galleries, theaters, restaurants, hotels, shops, and housing.



## CASE STUDY: HERITAGE TOURISM

### Vancouver National Historic Reserve

Established in 1825, Fort Vancouver was the administrative headquarters and main supply depot for the Hudson's Bay Company's fur trading operations across western North America. In 1849, the United States government assumed control of the land, and with establishment of Vancouver Barracks, began a long military presence in the city.

Owned and managed by the National Park Service, Fort Vancouver was established as a National Monument in 1948, then later enlarged and re-designated as a National Historic Site (NHS) in 1961. Today, the 209 acre NHS is located in Vancouver's Central Park neighborhood and part of the 366 acre Vancouver National Historic Reserve, established by Congress in 1996 to protect the reconstructed fort site and adjacent historic resources. Properties in the Reserve include Officer's Row, Vancouver Barracks, the General O.O. Howard House and Pearson Field, now known as Pearson Air Museum. Together, the Reserve comprises a unique civic complex offering residents and visitors alike an unparalleled opportunity to learn about, and experience, Northwest history.

Located adjacent to Interstate 5, north of Portland International Airport, and in the midst of the growing Portland Metropolitan Area, the Vancouver National Historic Reserve is well positioned to become the

Northwest's premier historic visitor destination. The Fort Vancouver NHS serves as the centerpiece of the Reserve's visitor attractions with its reconstructed 19th century buildings and stockade wall. Throughout the year, a long list of special events attracts visitors from across the region to enjoy historic re-enactments, performances, and the spectacular July 4th fireworks display. The popular Pearson Air Museum is the other major visitor draw to the Vancouver National Historic Reserve with its displays of historic aircraft and exhibits along with its own series of special events offering aviation themed activities.

Fort Vancouver NHS received about 800,000 visits in 2005. Studies conducted for the National Park Service estimate that 75 percent of annual visits are daytrips, with the remaining 25 percent involving visitors staying overnight in the local area. Spending by visitors to the site supports an estimated 880 jobs in Washington State and about \$15 million in wages and salaries.

Fort Vancouver had an operating budget of \$1.4 million in 2005. This budget included salaries for 17 full-time employees, as well as other operating expenditures, with much of that money spent locally. In addition, more than 200 people volunteer at the site each year.



## Downtown Wenatchee

Business activity in the downtown core of this Central Washington community has witnessed resurgence in recent decades. Once vacant storefronts now host vibrant shops and restaurants. Works of art and street trees grace the retail core. Visitors and residents alike enjoy special events at an expanded conference and performing arts center.

Wenatchee's thriving downtown marks a dramatic turnaround after years of decline. Beginning in the 1960s, new retail centers followed residential and industrial growth into outlying areas. Downtown stores and businesses followed suit, abandoning the city center for malls and automobile oriented retail strips. In response, surviving downtown businesses organized to form the Park and Shop Association and eventually joined forces with the chamber of commerce. By 1983, the Downtown Business Association came into being and adopted the Main Street Four-Point Approach model to downtown revitalization, a model developed in the 1970s by the National Trust for Historic Preservation.

The organization matured during the 1980's having achieved several important milestones, and then transformed into the Wenatchee Downtown Association (WDA). WDA embarked on achieving a priority list including completion of a \$1.8 million streetscape project, a market analysis and building inventory, and began offering a low-interest loan program for building façade rehabilitations. By 1992, the WDA qualified to participate in the Washington Main Street program.

By adhering to the Main Street Four Point Approach the WDA has seen street level vacancies decrease to nine percent and a total of \$38 million in public and private dollars invested downtown. This investment includes the award-winning Columbia Station transit center and an expanded Convention Center hosting 100,000 delegates annually. Noteworthy is the conversion of more than 50,000 square feet of historic Columbia Street warehouses into "loft-living" and mixed-use commercial space, plus transformation of the striking Art Moderne-style former Coca Cola Bottling Plant into the North Central Washington Regional Library.

A recent success story for downtown Wenatchee is the decision by owners of the historic Liberty Theater to not only remain downtown but also to expand its offerings. The Liberty had been showing movies in Wenatchee since the silent film era. However, the recent boom in

Hollywood's blockbuster film offerings had Liberty owners Phil and Linda Lassila thinking about leaving downtown and building a multi-screen cinema elsewhere. Through the efforts of the WDA, the Lassilas chose to stay downtown and expand the number of screens into adjacent historic buildings. As a result, the owners spent \$1.6 million to rehabilitate a neighboring historic hotel/commercial space and expand theater offerings with three additional movie screens, a snack bar, and restrooms.

Key to the Lassila's decision to implement this expansion was the availability of the Special Valuation for Historic Properties tax incentive program. By working closely with Wenatchee Historic Preservation Officer Kris Bassett throughout the project, an innovative new use has been found for this historic downtown building, joining other downtown building owners who have taken advantage of these preservation programs.

The impact of the Liberty Theater owner's decision to stay in downtown Wenatchee has been substantial. Not only did it bring back life to a neglected space, it has spurred on a destination theater district. The block-long project offers the benefits of a 10-screen multi-plex within the downtown core. While it may have been easier for the Lassila's to build a new theater elsewhere, they chose to do the right thing for Wenatchee and stay in the heart of the community. "An added benefit is the increased 'after hours' foot traffic, which has brought new energy and vibrancy to the area," said Kathy Allen, Executive Director of the WDA.



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For more information, please contact the Washington State Department of Archaeology and Historic Preservation, 360-586-3065 or visit our website at [www.dahp.wa.gov](http://www.dahp.wa.gov)